

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-132-C - ORDER NO. 2001-708
AUGUST 7, 2001

IN RE: Application of KMC Data, LLC for a) ORDER GRANTING
Certificate of Public Convenience and) CERTIFICATE FOR
Necessity to Provide Local Exchange and) LOCAL AND
Interexchange Telecommunications Services) INTEREXCHANGE
in the State of South Carolina and for Flexible) AUTHORITY AND FOR
and Alternative Regulatory Treatment.) FLEXIBLE AND
) ALTERNATIVE
) REGULATORY
) TREATMENT

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of KMC Data, LLC ("KMC Data" or the "Company") for authority to provide resold and facilities-based local exchange and resold intrastate interexchange telecommunications services within the State of South Carolina. The Company requests that the Commission regulate its local telecommunications services in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. In addition, the Company requests that the Commission regulate its business interexchange services offerings under the identical regulatory treatment granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Company's Application was filed pursuant to S.C. Code Ann. Section 58-9-280 (Supp. 2000) and the Rules and Regulations of the Commission.

By letter, the Commission's Executive Director instructed KMC Data to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Motion to Intervene Out of Time was received from the South Carolina Telephone Coalition ("SCTC") on June 4, 2001 and was approved by the Commission.

On June 12, 2001, counsel for SCTC filed with the Commission a Stipulation in which KMC Data stipulated that it would seek authority only in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until KMC Data provided written notice of its intent prior to the date of the intended service. The Company also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. KMC Data agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to the Company provided the conditions contained in the Stipulation are met. The Stipulation is approved and attached as Order Exhibit 1.

A hearing was commenced on June 28, 2001, at 2:30 p.m. in the Commission's Hearing Room. The Honorable William Saunders, Chairman, presided. KMC Data was represented by Bonnie D. Shealy, Esquire. Adelaide D. Kline, Staff Counsel, represented the Commission Staff. John D. McLaughlin, Jr., Director, State Government Affairs for KMC Data, appeared and testified in support of the Application. Steve W. Gunter, Commission Audit Staff, and David S. Lacoste, Engineer in Telecommunications, testified on behalf of the Commission Staff.

According to the record, KMC Data is a Delaware corporation and a wholly-owned subsidiary of KMC Telecom Holdings, Inc., a privately-owned corporation also organized under the laws of the State of Delaware. Two other wholly-owned subsidiaries of KMC Telecom Holdings, Inc., KMC Telecom III, Inc. ("KMC III") and KMC Telecom V, Inc. ("KMC V") were previously authorized by this Commission to provide telecommunications services in South Carolina. KMC Telecom III, formerly KMC Telecom, Inc. was authorized to provide local exchange services, interexchange services, and switched and special access services in South Carolina on February 24, 1997 in Docket No. 96-337-C, Order No. 97-149. The certificate of authority was assigned to KMC III on April 14, 1999 in Docket No. 1999-087-C, Order No. 1999-280. KMC Telecom V was authorized as a port wholesaler on April 30, 2001 in Docket No. 2001-17-C, Order 2001-297. KMC Data has received authority from the South Carolina Secretary of State to transact business within the State of South Carolina. KMC Data's corporate headquarters are located in Bedminster, New Jersey.

Mr. McLaughlin testified that KMC Data is certified to provide facilities-based and resold local exchange, switched and special access, and resold interexchange services in Montana and Missouri. In addition, KMC Data's affiliates – i.e. KMC Telecom, Inc., KMC Telecom II, Inc., KMC Telecom III, Inc., KMC Telecom V, Inc., KMC Telecom of Virginia, and KMC Telecom V of Virginia, Inc – operate as providers of facilities-based and resold local exchange, switched and special access, and resold interexchange services throughout the United States. KMC Data's affiliates are authorized by virtue of certification, registration, or (where appropriate) on an unregulated basis to provide local exchange and/or interexchange telecommunications services in several jurisdictions. Mr. McLaughlin stated that in addition to South Carolina, KMC Data is in the process of seeking authorization to provide local exchange and/or interexchange telecommunications services in the remaining forty-nine states and the District of Columbia.

Mr. McLaughlin explained that KMC Data seeks authority to provide both facilities-based and resold local and interexchange services in Tier III markets (population from 100,000 to 750,000) in South Carolina. He said KMC Data targets business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless service providers. He further testified that KMC Data offers a full range of ordinary telephone services through a new generation of network architecture. As to the facilities KMC Data will use to provide its proposed telecommunications services in South Carolina, Mr. McLaughlin testified that KMC Data plans to deploy NEBS (Network Equipment Building Standards) compliant Media

Gateway Controller (MGC) and Media Gateway (MG) equipment in non-ILEC collocation space such as carrier hotels for interconnection to ILECs and IXC providers. He said MGC and MG equipment will interconnect with ILEC networks using Inter Machine Trunks (IMT's) at a Point of Presence (POP). KMC Data notes, however, that its network configuration may change as it continues to install and maintain a technically advanced network, which will allow it to provide the highest levels of reliability, security and capacity that its target customers typically demand. Mr. McLaughlin further stated that KMC Data does not have a relationship with end users or consumers. He said his Company provides interconnection and operability for customers who are mainly large telecommunications carriers. He said KMC Data's interconnection to media gateways allows for transferring two way traffic for the carriers.

In addition, KMC Data asked this Commission for approval of alternative regulation of its business services as was first approved by the Commission in Docket No. 95-661-C, and flexible regulation for local exchange services first approved in Docket No. 1997-467-C with other resold services provided by incumbent local exchange carriers (ILECs), competitive local exchange carriers (CLECs), or interexchange carriers (IXCs). Mr. McLaughlin testified that KMC Data will utilize Broadwing as its underlying carrier. The record reveals that KMC Data, upon certification, will enter into an interconnection agreement with BellSouth, in accordance with Sections 251 and 252 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996. Mr. McLaughlin said he would be the regulatory and customer complaint contact person

for his Company. He further stated that questions regarding finances should first be directed to him.

Mr. McLaughlin opined that KMC Data possesses the financial, technical, and managerial resources to provide telecommunications services in the State of South Carolina. As to KMC Data's managerial abilities to provide the service in South Carolina which it seeks to provide, Mr. McLaughlin said that KMC Data has assembled an experienced management team with extensive telecommunications and business experience. Mr. McLaughlin testified that William F. Lenahan is the Company's Chief Executive Officer. The record reveals that Roscoe C. Young II is President and Chief Operating Officer, William H. Stewart is Chief Financial Officer, Marcy Dean is Senior Vice President and Treasurer, Robert Hagan is Senior Vice President of Finance, Constance Loosemore is Vice President, Assistant Treasurer and Assistant Secretary, and Alan M. Epstein is Secretary.

With regard to KMC Data's financial ability to operate as a telecommunications carrier, Mr. McLaughlin stated that KMC Data will rely initially on its parent company for financial support. He said that KMC Data's revenue largely comes through relationships with the large carrier customers; sixty percent of the Company's revenue comes from the voice/data side of the business. Mr. McLaughlin testified that these entities are cash positive. He said the Company has been on target with its business plan for meeting revenue goals.

As to the Company's customer service, the record reveals that KMC Data will offer comprehensive customer service on its toll-free telephone number 1 (888) 562-

8431. Mr. McLaughlin said that the toll-free number is available twenty-four hours a day, seven days a week. Mr. McLaughlin further said that services will be billed monthly by KMC Data at the rates specified in its tariff. He said the billing would be handled on an in-house basis and will include the Company's name and address and the toll-free number for inquiries or complaints.

Mr. McLaughlin asserts that KMC Data will operate in compliance with all applicable statutes, regulations, and Commission orders. Further, Mr. McLaughlin assured the Commission that KMC Data's service will meet applicable service standards and that KMC Data will support universally available telephone service at affordable prices. Further, Mr. McLaughlin offered that approval of KMC Data's Application serves the public interest by increasing telecommunications competition in South Carolina thereby bringing about lower rates, improved quality of service, and enhanced services. Moreover, the presence of KMC Data in the market will increase incentives for the ILEC's to reduce their prices, offer more innovative services, and improve their quality of service thereby benefiting all consumers in South Carolina. Mr. McLaughlin also offered that approval of KMC Data's Application would not adversely impact the availability of affordable local service because approval of the Application should enhance competition in South Carolina which, in turn, should increase downward pressures on rates as well as enhance product and service quality and diversity.

Mr. McLaughlin's rebuttal testimony stated he was familiar with Commission Staff witness David Lacoste's testimony and confirmed that the Company would be willing to make all of Mr. Lacoste's suggested changes to its final tariff. In addition, Mr.

McLaughlin agreed to file a copy of the Company's bill form with its final tariff and to add the email address and telephone number to each tariff page.

Finally, Mr. McLaughlin discussed KMC Data's requests for certain waivers of Commission regulations and for relaxed regulatory treatment. KMC Data requests that the Commission regulate its interexchange business services, consumer card, and operator service offerings in accordance with the principles and procedures established by Order Nos. 95-1734 and 96-55 in Docket No. 1995-661-C. In addition, the Company requests that the Commission regulate its local exchange telecommunications services under the flexible regulatory treatment approved by Order No. 1998-165 in Docket No. 1997-467-C. KMC Data asks that it be exempt from any rules or regulations that would require it to keep its financial records in conformance with the Uniform System of Accounts. KMC Data seeks to maintain its books of accounts in accordance with the Generally Accepted Accounting Principles (GAAP). Additionally, the Company seeks a waiver of 26 S.C. Code Ann. Regs. 103-631 (1976 & Supp. 2000) so that it will not be required to publish local exchange directories. KMC Data will contract with at least one incumbent local exchange carrier for the inclusion of KMC Data's CLEC data base into the master customer data base of the local exchange carrier. The Company also seeks waiver of 26 S.C. Code Ann. Regs. 103-610 (1976 & Supp. 2000) so that KMC Data can maintain its records outside of South Carolina. The Company wishes to maintain its books and records at its headquarters in Bedminster, New Jersey.

Mr. Gunter testified as to his findings of the Audit Department's review of KMC Data's financial statements that were submitted as part of the Company's Application. He

stated he reviewed the unaudited, condensed, consolidated financial statements of KMC Telecom Holdings, Inc. dated December 31, 2000 which were submitted with the Application. He said the parent company's income statement, dated December 31, 2000, reflected a net loss. He said cash made up 8.26% of total assets and the current ratio was .79 at the end of December 2000. Mr. Gunter testified that the parent company's long-term debt at December 31, 2000 was over 100% of the total liabilities and stockholders equity. He further testified that the parent company's retained earnings were negative due to prior losses, and total stockholders' equity was also negative due to the negative retained earnings. Mr. Gunter said that the parent company will need to begin making a profit on operations or have some other source of working capital, such as additional paid-in-capital, in order to continue to operate in the future.

Mr. Lacoste presented testimony to the Commission on the findings of the Utilities Department with respect to KMC Data's Application for a Certificate of Public Convenience and Necessity. According to Mr. Lacoste, KMC Data seeks authority to provide resold and facilities-based local exchange and resold interexchange telecommunications services within South Carolina. The record reveals that KMC data intends to offer local exchange services to customers in the service area of incumbent local carriers BellSouth, GTE/Verizon, and Sprint/United and interexchange services to customers throughout the State of South Carolina. Mr. Lacoste testified that KMC Data seeks to have its local telecommunications services regulated in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. Also KMC Data requests that the Commission regulate its long

distance business service offerings, including consumer card and operator service offerings in accordance with the principles and procedures established by Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Mr. Lacoste stated that the Staff did not oppose waiver of the application of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000) concerning the publication of local directories or waiver of application of 26 S.C. Code Ann. Regs. 103-610 (1976) which requires that all records be kept within the State of South Carolina, or the grant of permission to maintain books and records in conformance with Generally Accepted Accounting Principles (GAAP) rather than the Uniform System of Accounts (USOA).

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. KMC Data is a privately held corporation duly organized and existing under the laws of the State of Delaware and is authorized to do business in the State of South Carolina by the Secretary of State.

2. KMC Data is a provider of local exchange and interexchange telecommunications services and wishes to provide its services in South Carolina.

3. KMC Data has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B)(1) (Supp. 2000).

4. The Commission finds that KMC Data's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B)(3) (Supp. 2000).

5. The Commission finds that KMC Data will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B)(4) (Supp. 2000).

6. The Commission finds that KMC Data will provide services which will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B)(2) (Supp. 2000).

7. The Commission finds that the provision of local exchange service by KMC Data "does not otherwise adversely impact the public interest." S.C. Code Ann. Section 58-9-280 (B)(5) (Supp. 2000).

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to KMC Data to provide competitive resold and facilities-based intrastate local exchange services only to customers located in the non-rural areas of the state. The terms of the Stipulation between KMC Data and SCTC are approved, and adopted as a part of this Order. Therefore, any proposal to provide local telecommunications service to rural service areas is subject to the terms of the Stipulation. In addition, KMC Data is granted authority to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through its own facilities and through the resale of intrastate

Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. KMC Data shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings conforming to all matters discussed with Staff and comporting with South Carolina law in all matters. KMC Data's local telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C.

Specifically, the Commission adopts for KMC Data's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels that will have been previously approved by the Commission. Further, KMC Data's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

3. The Commission adopts a rate design for the long distance services of KMC Data which are consistent with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Under the Commission approved alternative regulation, the business service offerings of KMC Data, including consumer card services and operator services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to KMC Data also.

4. With regard to the residential interexchange service offerings of KMC Data, the Commission adopts a rate design which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

5. With regard to residential interexchange service rates, KMC Data shall not adjust its residential interexchange service rates below the approved maximum level without notice to the Commission and to the public. KMC Data shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the

maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2000).

6. If it has not already done so by the date of issuance of this Order, KMC Data shall file its revised long distance tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

7. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs KMC Data to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company

may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, KMC Data shall contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

8. KMC Data is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

9. With regard to the Company's interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

10. KMC Data shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If KMC Data changes underlying carriers, it shall notify the Commission in writing.

11. With regard to the origination and termination of toll calls within the same LATA, KMC Data shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

12. KMC Data shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The annual report and the gross receipt filings will necessitate the filing of intrastate information. Therefore, KMC Data shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at www.psc.state.sc.us/forms/default.htm. The two page form the Company shall use to file this information is entitled "Annual Information on South Carolina Operations for Interexchange Companies and AOS". Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

13. In addition, KMC Data is required to file annual report information for competitive local exchange carriers. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at www.psc.state.sc.us/forms/default.htm. This form is entitled "Annual Report for Competitive Local Exchange Carriers" and consists of four pages. Additionally, KMC Data shall file with the Commission a quarterly report entitled "CLEC Service Quality Quarterly Report." The proper form for this report is found on the Commission's website at www.psc.state.sc.us/forms/default.htm.

14. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests

and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

KMC Data shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to file this authorized utility representative information can be found at the Commission's website at www.psc.state.sc.us/forms. This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in writing if the representatives are replaced. KMC Data shall also file with the Commission a copy of its general Bill Form as required by S.C. Code Regs. 103-612.2 and 103-622 (1976 and Supp. 2000).

15. KMC Data shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

16. By its Application, KMC Data requested a waiver of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). In lieu of publishing local directories, KMC Data informs the Commission that it will contract with the incumbent LECs to provide KMC Data's customers with directory listings, as well as to undertake the distribution of directories. The Commission finds KMC Data's request reasonable and grants the requested waiver of the application of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). Further, KMC Data is granted a waiver of 26 S.C. Regs. 103-610 (1976 and Supp.

2000) requiring the Company to maintain its financial books and records within the State of South Carolina. KMC Data is hereby granted permission to maintain its financial books and records at its principal headquarters in Bedminster, New Jersey. The Commission acknowledges that KMC Data will maintain its financial books and records in conformance with GAAP. KMC Data is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

17. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2001-132-C

Re: Application of KMC Data, LLC for a)
Certificate of Public Convenience and)
Necessity to Provide Local Exchange)
Telecommunications Services in the)
State of South Carolina)
_____)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and KMC Data, LLC ("KMC Data") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose KMC Data's Application. SCTC and KMC Data stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to KMC Data, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. KMC Data stipulates and agrees that any Certificate which may be granted will authorize KMC Data to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. KMC Data stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. KMC Data stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and

until KMC Data provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, KMC Data acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. KMC Data stipulates and agrees that, if KMC Data gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then KMC Data will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. KMC Data acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

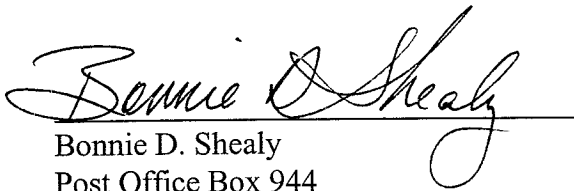
7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and KMC Data, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. KMC Data agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. KMC Data hereby amends its application and its pre-filed testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 7th day of June, 2001.

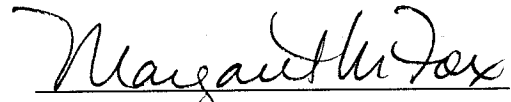
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Attorneys for the South Carolina
Telephone Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

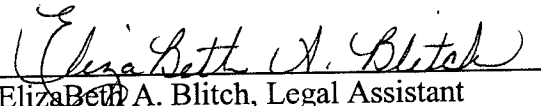
Docket No. 2001-132-C

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Necessity to Provide Local Exchange)
Telecommunications Services in the)
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_____)

**CERTIFICATE OF
SERVICE**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P. C.
Post Office Box 944
Columbia, South Carolina 29202.


ElizaBeth A. Blitch, Legal Assistant
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June 12, 2001

Columbia, South Carolina